

ONE HUNDRED FIFTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

MEMORANDUM

June 6, 2017

To: Subcommittee on Digital Commerce and Consumer Protection Democratic Members and Staff

Fr: Committee on Energy and Commerce Democratic Staff

Re: Hearing on “Disrupter Series: Improving Consumers’ Financial Options with FinTech”

On **Thursday, June 8, 2017, at 10:00 a.m. in room 2123 of the Rayburn House Office Building**, the Subcommittee on Digital Commerce and Consumer Protection will hold a hearing titled “Disrupter Series: Improving Consumers’ Financial Options with FinTech.”

I. BACKGROUND

The term FinTech (a combination of financial and technology), broadly refers to technological innovations that affect financial activities.¹ These innovations include mobile payments and banking, digital currencies, blockchain, and peer-to-peer lending.² New technologies are being used in a wide range of financial products and services, including insurance, loans, banking, wealth management, and crowdfunding.³

FinTech can make some financial transactions more convenient and efficient for consumers.⁴ For example, the use of smartphones to send payments to businesses, charities, and

¹ National Economic Council, *A Framework for FinTech* (Jan. 2017).

² Government Accountability Office, *Financial Technology: Information on Subsectors and Regulatory Oversight* (Apr. 2017) (GAO-17-361).

³ *Id.*

⁴ Federal Trade Commission, *Remarks by Chairwoman Edith Ramirez at the FinTech Forum Series: Marketplace Lending* (Jun. 9, 2016).

friends or family has become popular.⁵ Some FinTech offerings may also have the potential to expand access to financial services for underbanked and unbanked populations.⁶ Concerns have been raised as to whether some new market entrants to the financial sector are ensuring basic consumer protections such as ensuring transparency or properly securing consumers' personal information.⁷

II. FEDERAL GOVERNMENT ACTION

H.Res.835, a resolution to express Congressional support for FinTech development, was introduced by Rep. Tony Cardenas (D-CA) and Rep. Adam Kinzinger (R-IL) and passed the House on September 12, 2016.⁸

A number of federal agencies have jurisdiction over various sectors of the FinTech industry.⁹ The Federal Trade Commission has broad authority to protect consumers against unfair and deceptive acts or practices and has held a series of stakeholder workshops on FinTech.¹⁰ The Internal Revenue Service is currently investigating allegations that digital currencies are being used to aid tax avoidance.¹¹ In November 2016, the Consumer Financial Protection Bureau issued a final rule establishing consumer protections for electronic peer-to-peer payments.¹²

The Office of the Comptroller of the Currency (OCC) has proposed making a special national charter available to FinTech companies that may not qualify for traditional bank

⁵ Memorandum from Democratic Staff to Democratic Members of the House Committee on Energy and Commerce, Subcommittee on Commerce, Manufacturing, and Trade, Hearing on Disrupter Series: Mobile Payments (Nov. 29, 2015).

⁶ See note 2.

⁷ *Id.*; Consumers Union, Want a Loan? Pick Up Your Phone (May 16, 2016) (consumersunion.org/2016/05/want-a-loan-pick-up-your-phone/).

⁸ H.Res.835, 114th Cong. (2016).

⁹ See note 2.

¹⁰ See note 4; Federal Trade Commission, Financial Technology (www.ftc.gov/news-events/media-resources/consumer-finance/financial-technology) (accessed Jun. 2, 2017).

¹¹ *As Fintech Comes of Age, Government Seeks an Oversight Role*, New York Times (Dec. 5, 2016).

¹² Brookings Institution, Adapting Regulation for the FinTech World (Dec. 4, 2016) (www.brookings.edu/research/adapting-regulation-for-the-fintech-world/).

charters.¹³ Some major consumer groups are opposed to the special charter.¹⁴ Further, the Conference of State Bank Supervisors has sued OCC to block the charter, arguing that OCC's actions would preempt state consumer protection laws and put consumers at risk.¹⁵

III. WITNESSES

Christina Tetreault

Staff Attorney
Consumers Union

Jeanne Hogarth

Vice President
Center for Financial Services Innovation

Javier Saade

Managing Director
Fenway Summer

Peter Van Valkenburgh

Research Director
Coinbase

¹³ *Financial Technology Start-Ups to Get a License to Bank*, New York Times (Dec. 2, 2016).

¹⁴ Consumer Federation of America, *Comments to the Office of the Comptroller of the Currency on "Exploring Special Purpose National Bank Charters for Fintech Companies"* (Jan. 17, 2017) (consumerfed.org/wp-content/uploads/2017/01/1-17-17-NCLC-OCC_Comments.pdf).

¹⁵ Conference of State Bank Supervisors, *CSBS Files Complaint Against Comptroller of the Currency* (Apr. 26, 2017) (press release).